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R. William (Bill) Johnston  
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May 5, 2004

RECEIVED

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Federal Communications Commission  
Office of the Secretary  
Attention: Marlene Dortch, Secretary  
445 - 12<sup>th</sup> Street S.W., Room TW-A325  
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

RE: Qwest Corporation's Cost Allocation Manual Revisions  
WC Docket No. 03-228 "Operate Independently" Requirements for Section 272 Affiliates  
("OI&M Order")

Dear Ms. Dortch:

In compliance with Section 64.903 of the Commission's rules, Qwest Corporation ("Qwest") hereby submits the attached material with partial updates to the Cost Allocation Manual ("CAM").

Qwest's CAM is being revised to update affiliate descriptions and services that will be provided to and from affiliates. The revisions include new services that will be provided in accordance with the Commission's OI&M Order.<sup>1</sup>

Qwest is serving a copy of these revisions on the Deputy Division Chief of the Pricing Policy Division of the Wireline Competition Bureau, Clifford Rand, and the Commission's duplicating contractor Qualex International.

Acknowledgment and date of receipt of this submission are requested. A copy of this letter is provided for this purpose.

Sincerely,

Attachment

<sup>1</sup> In its Report and Order in WC Docket No. 03-228, the Commission required "BOCs to modify their CAMs to address specifically any OI&M services that they intend to provide their section 272 affiliates and to submit the amendments for Commission review." (See Para.19)

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QWEST  
TRANSMITTAL LETTER MATRIX  
CAM CHANGES  
May 5, 2004

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Updated

V STATEMENT OF TRANSACTIONS WITH AFFILIATES

V-1-11

Complete Revision

Update affiliate descriptions and services that will be provided to and from affiliates  
The revisions include new services that will be provided as a result of the Commission's OI&M Order

N/A

**QWEST  
COST ALLOCATION MANUAL  
(CAM)**

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COST ALLOCATION MANUAL  
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Corp and the nonregulated affiliates, the transferred assets are valued at “the currently effective tariff rate or at the price as determined by a prevailing price list held out to the general public in the normal course of business” – if either of these two valuation mechanisms is available. If not available, then “assets transferred out of regulation are recorded at no less than the higher of net book cost or fair market value, while assets transferred into regulation are recorded at no more than the lower of net book cost or fair market value.” However, carriers are not required to perform the net book cost/fair market value comparison for the first \$500,000 of asset transfers, on a product-by-product basis, per year, per affiliate. In such cases, the assets are recorded at net book cost.

## SECTION V: STATEMENT OF TRANSACTIONS WITH AFFILIATES

### A Introduction

The Joint Cost Order (CC Docket 86-111) requires that each cost allocation manual contain a "statement identifying affiliates that engage in or will engage in transactions with the carrier entity and describing the nature, terms and frequency of such transactions." Such a description is necessary to enable the Commission to determine whether a carrier's affiliate transactions are in accordance with the rules set forth in the Joint Cost Order.

The applicable rules are applied as follows: For tariffed services, Qwest Corporation (Qwest Corp ) records transactions with its affiliates using tariffed rates. Non-tariffed services provided pursuant to publicly-filed agreements submitted to a State Commission pursuant to Section 252(e) or statements of generally available terms pursuant to Section 252(f) of the Telecommunications Act of 1996 are recorded according to the charges appearing in such publicly filed agreements. In the case of services not subject to tariff, or tariff-like prices, the affiliate transaction is recorded in Qwest Corp.'s accounts at the "prevailing price held out to the general public" ("the prevailing company price"). Use of a prevailing company price ("PCP") requires sales of more than 25% of the quantity of like services to nonaffiliates. This 25% rule is applied on a service-by-service basis, rather than on a service-line basis. As noted in 47 CFR 32.27, "In the case of transactions for assets and services subject to Section 272, a BOC may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied "

All affiliate transactions that are neither tariffed nor subject to PCP are recorded at no less than the higher of Fully Distributed Cost (FDC) or estimated fair market value (EFMV) when Qwest Corp is the seller, and at no more than the lower of FDC or EFMV when Qwest Corp is the purchaser. However, if the total annual value of transactions for a service is less than \$500,000 per affiliate, then a determination of EFMV is not required. Transactions are

Qwest Internet Solutions, Inc. (QIS) provides professional services supporting internet solutions

Qwest Interprise America, Inc. (IA) markets customer solutions for private and public data transport for applications such as local and wide-area network connectivity. It is a single source network integrator that provides networking solutions, and a comprehensive portfolio of Internet-based computer networking QIA also sells CPE and provides payphone services outside Qwest Corp 's 14 state territory.

Qwest Investment Company holds venture capital investments.

Qwest LD Corp. (a Section 272 affiliate) provides in-region interLATA services to consumer and some business customers.

Qwest N Limited Partnership is a leasing company used for construction and real estate leasing

Qwest Services Corporation is the parent company of Qwest Corp. and other affiliates. It provides functions such as corporate finance, executive management, federal regulatory and public policy, human resources, legal, legislative, marketing and sales, public relations, treasury and trust management For transactions with this affiliate, the FDC exception applies.

Qwest Transoceanic, Inc is a holding company for international assets and operations.

Qwest Wireless, L.L.C (QW) provides innovative wireless solutions. It provides advanced digital PCS and Paging solutions to customers in the Qwest Corp. territory.

USLD Communications, Inc provides full sales and service support to Qwest channels for a full suite of traditional Domestic Operator Services, Collect Operator Services and International Operator Services opportunities in the hospitality and operator service industries.

## C List of Assets and Services Provided

### Services or Assets Provided by Qwest Corp. to its Affiliates:

- (a) Telecommunications Services - includes basic exchange, intralata toll, employee discount for residential telecommunications, national directory assistance, one number service and voice messaging, all of which are accounted for at tariffed rates.
- (b) Marketing and Sales - includes correspondence center services (Primary Interexchange Carrier -- PIC -- related work), federal Universal Service Administrative Corporation (USAC) discount processing, general operations and market support accounted for at PCP. Call handling, market support for out of region payphone service and sale of products and services (operations, market and customer support) are accounted for at FDC. Display advertising and market inserts and messages are accounted for at FMV.
- (c) Network Services - includes construction, installation, **operations support, maintenance, repair, number administration services, use of surplus equipment, planning and engineering, laboratory testing, cable locate functions, Asynchronous Transfer Mode (ATM)/frame relay and data operations support, technical support,** and trouble management call transfer, **all of which** are accounted for at PCP. Global **Locator Service**, network labor, DSL technical support and management services and operations support are accounted for at FDC. **Joint pole arrangement prices are based on rates appearing in publicly filed agreements submitted to State Commissions or the jurisdictionally applicable SGAT.** E911 labor is accounted for at FMV.
- (d) Leased Network Facilities - includes leasing of access loop and interoffice capacity and leasing of central office equipment room space and switch power.
- (e) Administrative Services - includes bill and letter printing and processing and occupational tariff support at PCP. Occupational DAOS support for in region CPE and procurement, and certain administrative support are accounted for at FDC.
- (f) Billing and Collections - includes bill rendering, bill remittance, delinquent account collection, bill inquiry and media provisioning.
- (g) Finance Services - Accounts payable processing, finance and accounting services, general ledger processing, payroll and revenue operations are accounted for at PCP. Billing, other finance and accounting services (inventory support, technical accounting), remittance processing, service order correction system support and technical support (PC & server) are accounted for at FDC.
- (h) Human Resources - Includes human resource system support.
- (i) Information Technologies - Computer systems console operator is accounted for at PCP. Mainframe, mid-range and disk systems and IT training are accounted for at FDC.
- (j) Internal Communications - includes internal voice, data and internet connections, and help desk.
- (k) Leased Assets - Access to lab facilities is accounted for at PCP. Leasing of assets such as tools, motor vehicles, personal computers and test sets, is accounted for at FDC. Rental of owned motor vehicles is accounted for at the higher of FDC or FMV.
- (l) Management Services - includes common management by regulated Qwest Corp. employees.
- (m) Space and Furniture Rental - includes general real estate planning, management and support and space and furniture rental at various locations. General real estate planning, management and support are accounted for at PCP. Depending on the location, other space and furniture rental is accounted for at PCP, FDC or FMV.
- (n) Wholesale Operator Services - Operator and support personnel are accounted for at PCP. Directory assistance promotional call branding is accounted for at FMV. Operator services and directory assistance are accounted for using rates appearing in publicly filed agreements submitted to State Commissions or Statements of Generally Available Terms (SGAT)



- (t) Telecommunications Services - includes Personal Communications Service (PCS) to meet Qwest Corp obligations to customers, **and other switched and private line services.** |
- (u) Treasury - includes capital structure planning and maintenance, cash management, issuance and retirement of debt, issuance of equity and treasury stock.
- (v) Trust Management - includes trust management of savings and pension plan and the employee stock ownership plan (ESOP).
- (w) Assets transferred to Qwest Corp from affiliates are provided in the matrix in Section V. The description provided is in Part 32 account classifications which is descriptive of the asset transferred. The assets are transferred to the carrier at the lower of net book cost or fair market value, or at net book cost if less than \$500,000 on a product by product basis per year, per 47 CFR Section 32.27

## Affiliate Transactions from Affiliates to Qwest Corporation

Asset/Service Provided **	Business Resources	Broadband Services	Communications Corporation	Government Services	Information Technologies	Interpense America	LD Corp	N Ltd Partnership	Services Corp	Wireless
Prevailing Company Price										
Equipment/Material						D				D
Internal Communications			D							D
Leased Assets			D							
Leased Network Facilities			D							
Technical Support						D				
Telecommunications Services			D							D
Assets--Lower of Fair Market Value or Net Book Cost										
Computers	O			O	O	O			O	O
Materials and Supplies								O		
Services--Lower of Fair Market Value or Fully Distributed Cost										
Corporate Communications (FDC)									D	
Corporate and Shared Services (FDC)				D					D	
Equipment/Material (FDC)			O							
Equipment/Material (FMV)			O							
Finance (FDC)			O				O		D	
Human Resources (FDC)									D	
Information Technologies (FDC)			D		D					
Information Technologies (FMV)			O							
Internal Communications (FDC)			D		D				D	
Leased Assets (FDC)			D							
Legal Services (FDC)									D	
Management Services (FDC)			O						D	
Marketing and Sales (FDC)									D	
Network Services (FMV)			O							
Procurement (FDC)	D									
Product Planning (FDC)									D	
Regulatory and Public Policy (FDC)									D	
Space and Furniture Rental (FDC)	D		D							
Space and Furniture Rental (FMV)	D		D							
Technical Support Services (FDC)									D	
Treasury (FDC)									D	
Trust Management (FDC)									D	
Legend										
D = Daily										
W = Weekly										
M = Monthly										
Q = Quarterly										
A = Annually										
O = Occasionally										

\*\* See "List of Assets and Services Provided" appearing earlier in Section V for a more detailed description of assets and services provided